

ETAAC Draft Language	PG&E Comments	PG&E Recommendation
<p>Additional Proposed Language *2 (page 9)</p> <p>“While ETAAC members acknowledge the role of direct regulations, some are concerned about what appears to be a heavy reliance on direct measures as opposed to allowing a broad, cost effective market to carry more of the load in emission reductions and the effect that this may have on the competitiveness of California industry. In some cases, a market may be able to deliver the needed emission reductions at lower cost. We believe it is important that CARB support the mix of direct measures and market mechanisms through an economic analysis that demonstrates that the mix that CARB recommends best achieves the objectives outlined in AB 32.”</p>	<p>5B. Agree to include with further emphasis on cost effectiveness analysis.</p>	<p>Include in Draft Letter with the following edits:</p> <p>“While ETAAC members acknowledge the role of direct regulations, some are concerned about what appears to be a heavy reliance on direct measures as opposed to allowing a broad, cost effective market to carry more of the load in emission reductions and the effect that this may have on the competitiveness of California industry. In some cases, a market may be able to deliver the needed emission reductions at lower cost. We believe it is important imperative that CARB support the mix of direct measures and market mechanisms through an economic analysis that compares cost effectiveness and technological feasibility of the different measures and demonstrates that the mix that CARB recommends best achieves the objectives outlined in AB 32.”</p>
<p>Additional Proposed Language *3 (page 9)</p> <p>“CARB should ensure accurate cost inputs in a sector by sector analysis, and provide near term and long term employment and economic impacts for each sector. CARB should also perform a sensitivity analysis to determine if particular measures are driving the analysis and masking other measures impacts.”</p>	<p>5C. Agree to include with further emphasis on cost effectiveness analysis, including an on-going process for re-evaluating cost-effectiveness.</p>	<p>Include in Draft Letter, with following edits:</p> <p>“CARB should ensure accurate cost and quantity inputs in a sector by sector analysis, and provide near term and long term employment and economic impacts for each sector. CARB should also perform a sensitivity analysis to determine if particular measures are driving the analysis and masking other measures impacts as well as a cost effectiveness analysis comparing across all measures including offsets and the cap and trade system. Finally, CARB should ensure that an ongoing and transparent process exists through the regulatory process and the implementation phase for evaluating and re-evaluating cost-effectiveness and allowing entities the flexibility to pursue new measures and discontinue existing measures as new technologies, policies and cost effectiveness information surface.”</p>
<p>Additional Proposed Language *4 (page 9)</p> <p>“The Draft Plan should lay out a development and deployment strategies for CCS that both identifies and removes barriers as well as determines and implements necessary incentives.”</p>	<p>5D. Agree.</p>	<p>Include in Draft Letter</p>

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<p>Offsets (page 4)</p> <p>“The Draft Scoping Plan suggests a 10% individual limitation on the use of offsets for compliance. We recommend that CARB clarify whether the 10% limit on compliance offsets is based on a percentage of the reductions to be achieved by the cap and trade program or a percentage of total state reductions.”</p>	<p>3. By asking ARB to clarify the 10% limit language, ETAAC is implicitly agreeing with a limit on offsets. Since there is in fact no consensus among ETAAC members on this issue, the question should be deleted from the Draft Letter.</p> <p>Instead, ETAAC should reinforce the need for real and verifiable offsets that are not limited by geographic location or quantity. The ETAAC report states that “it is difficult to come up with a ‘scientific’ number to justify any specific limit. Thus, the ETAAC should recommend that the ARB not place any limits on offsets.</p>	<p>At a minimum, delete this paragraph in its entirety:</p> <p>“The Draft Scoping Plan suggests a 10% individual limitation on the use of offsets for compliance. We recommend that CARB clarify whether the 10% limit on compliance offsets is based on a percentage of the reductions to be achieved by the cap and trade program or a percentage of total state reductions.”</p> <p>Add the following sentence:</p> <p>“The Scoping Plan should reinforce the need for real and verifiable offsets and not place any limits on offsets in the final Scoping Plan.”</p>
<p>Allowance Allocation and Use of Possible Revenues (page 5)</p> <p>“If auction revenues exceed the level where they can be efficiently applied to abate carbon and other GHG emissions, ETAAC members suggested that they might be used for the reduction of distortionary taxes to improve the economic efficiency of the economy.”</p>	<p>4. Excess auction revenues should be returned to ratepayers and not be used to reduce taxes. The language in the ETAAC draft letter is not consistent with that in the ETAAC Report, which states,</p> <p>“If auction revenues exceed the level where they can be efficiently applied to abate carbon and other GHG emissions, these revenues can be used to reduce distorting taxation or payments to ratepayers.” (emphasis added)</p> <p>The ETAAC Draft Letter should include the entire recommendation as it appears in the ETAAC report.</p>	<p>Revise the text as follows:</p> <p>“If auction revenues exceed the level where they can be efficiently applied to abate carbon and other GHG emissions, ETAAC members suggested that they might be used to reduce distorting taxation or payments to ratepayers for the reduction of distortionary taxes to improve the economic efficiency of the economy.”</p>
<p>Additional Proposed Language *1 (page 9)</p> <p>“We concur with CARB that a carbon fee should also be considered to determine which market mechanism would best achieve the greatest emission reductions, would be the most cost-effective, and would best meet the other goals of AB32.”</p>	<p>5A. An equitable, properly designed carbon fee could possibly play a role in addressing climate change, though it should be noted that a carbon fee does not guarantee specific greenhouse gas reductions or environmental benefits like a cap and trade program.</p>	<p>Include in the Draft Letter.</p>

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		<p>The Scoping Plan should recognize that the risk of any measure falling short of the anticipated reduction is real for all of the listed measures and actively plan for this uncertainty. Should certain measures not be technologically feasible or not cost effective to implement, a robust cap and trade market with access to offsets will need to provide additional reductions at a more reasonable cost. Furthermore, the ARB should ensure that the regulatory process will accommodate new measures as they become cost effective and technologically feasible, and allow entities the flexibility to discontinue measures that are no longer comparatively cost effective. and CARB should provide a plan for meeting that contingency. It may be useful to provide both high and low estimated reductions for measures, along with an explanation of the assumptions under each scenario. The estimated costs to satisfy the shortfall should be included in the economic analysis for these low scenarios.”</p>
<p>Economic Assumptions and Level of Detail (page 3) None</p>	<p>2B. The Draft Letter acknowledges that uncertainties exist in the emissions reductions target for RPS and energy efficiency. The same is true for combined heat and power (CHP). The ETAAC Report recommends that “the State first define what constitutes qualifying CHP, determine the total amount of CHP potential that meets the qualifying criteria, and then adopt a statewide target to install a predetermined amount of qualifying CHP by 2020.” Thus, the ETAAC letter should include a cautionary statement regarding CHP as well. The ARB should differentiate between large CHP units that export to the grid and thus should compete with other generators, and small units that serve on-site load.</p>	<p>Add text below as shown in bold:</p> <p>“Also, the Draft Plan appears to be basing the energy efficiency goals on the high end being considered by the CPUC, without accounting for the uncertainty surrounding achieving these reductions. Similarly, the State has yet to define what constitutes qualifying, cost efficient CHP and technologically feasible combined heat and power facilities (CHP) and determine the total amount of CHP potential that meets the qualifying criteria. Thus, uncertainties also exist with the estimated reductions associated with CHP.”</p>

Pacific Gas and Electric Company Comments on ETAAAC Draft Letter

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None	<p>1. The ETAAAC Report includes a disclaimer that each recommendation may not necessarily reflect the views of every ETAAAC member. The Draft Letter does not include such a disclaimer. The letter uses the general attribution "ETAAAC" or "ETAAAC members", which could be construed as representing consensus from each and every ETAAAC member on each and every recommendation unless the letter itself acknowledges disagreement (as it does for the offsets policy.)</p>	<p>Add the following disclaimer in the letter:</p> <p>"This letter represents the general views of ETAAAC as a committee, but does not necessarily represent the views of individual ETAAAC members, and individual ETAAAC members may disagree with specific recommendations contained herein."</p>
<p>Economic Assumptions and Level of Detail (page 3)</p> <p>"ETAAAC members believe it is important to note that there is some uncertainty about the ability to achieve all the expected emission reductions listed in the Draft Scoping Plan and that the actual reductions achieved may potentially be less than projected reductions. For example, the Draft Scoping Plan assumes that the 33% RPS will result in 21.2 MMT of emission reductions by 2020. However California's IOUs acknowledge that they are not meeting their 20% RPS goals for 2010. Also, the Draft Plan appears to be basing the energy efficiency goals on the high end being considered by the CPUC, without accounting for the uncertainty surrounding achieving these reductions. The risk of any measure falling short of the anticipated reduction is real, and CARB should provide a plan for meeting that contingency. It may be useful to provide both high and low estimated reductions for measures, along with an explanation of the assumptions under each scenario. The estimated costs to satisfy the shortfall should be included in the economic analysis for the low scenarios."</p>	<p>2A. PG&E is trying to obtain as much renewable energy as possible, while protecting customers against unreasonable costs and without compromising service reliability. There are a number of barriers that must be addressed before greater renewable penetration can be achieved. These barriers include but are not limited to: adequacy of RPS-eligible supply, adequacy and availability of transmission infrastructure, issues regarding grid integration and energy storage, and the pending expiration of federal investment tax credits (ITC) and production tax credits (PTC).</p> <p>We agree with the statement in the draft letter that "there is some uncertainty about the ability to achieve all the expected emission reductions listed in the Draft Scoping Plan and that the actual reductions achieved may potentially be less than projected reductions." As the ETAAAC report indicates, many barriers exist and must be addressed before greater renewable penetration can be achieved. The ETAAAC should restate the barriers listed in the ETAAAC report, and urge the ARB to incorporate requisite steps to address these barriers in the final Scoping Plan.</p>	<p>Revise the text as follows:</p> <p>"ETAAAC members believe it is important to note that there is some uncertainty about the ability to achieve all the expected emission reductions listed in the Draft Scoping Plan and that the actual reductions achieved may potentially be less than projected reductions. For example, the Draft Scoping Plan assumes that the 33% RPS will result in 21.2 MMT of emission reductions by 2020. As the ETAAAC Report states, a number of barriers must be addressed before greater renewable penetration can be achieved, including the lack of: infrastructure, energy storage technology, integration policy and coordinated policy direction. California's IOUs are aggressively procuring renewable energy. Both PG&E and SCE have signed sufficient contracts to meet or exceed the 20% goal; however, the barriers cited above are posing challenges to suppliers in meeting their delivery target. It would be worth the ARB's noting these challenges in the final Scoping Plan as well. However California's IOUs acknowledge that they are not meeting their 20% RPS goals for 2010. Also, the Draft Plan appears to be basing the energy efficiency goals on the high end being considered by the CPUC, without accounting for the uncertainty surrounding achieving these reductions among individual utilities in the entire electric sector. [Add additional text as described in Comment 2B below, and insert text below.]</p>